

97-84235-30

Navarro, José F. de

A practical solution of the
silver problem

[New York]

[1893]

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v.70	[Navarro, José F de]	
A practical solution of the silver question ... 3d ed.		
... [New York, Lehmaier & bro., 1893] Revised edition.		
19, t1 p. 24 $\frac{1}{2}$ cm.		
Signed: José F. de Navarro.		
Vol. of pamphlets.		
1. Silver question.		
O		6-29378†
Library of Congress		HG556.N32

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IB IIB

DATE FILMED: 11-6-97

INITIALS: pb

TRACKING #: 29525

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A Practical Solution of the Silver Problem

*Dedicated with great Respect to the
Most Honorable Grover Cleveland.*

June 29, 1893.

In the absence of an International Monetary system, a Debtor Nation, under the Double Standard, should provide by Law an equitable way of settling its foreign Debts when not paying in Gold its Obligations.

*The 3 first pages of the letter explain the whole Solution.
The balance of the communication is general information.
The whole paper can be read leisurely in 60 minutes.*

REVISED EDITION.

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By J. F. DE NAVARRO,
New York.

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52 William St., New York.

PREFACE.

Believing that very few people would read this essay through, unless they had evidence beforehand from some well known persons in the financial world that it was really worth reading, I have adopted the novel plan of beginning with such testimonials instead of ending with them, and with that view have selected two such letters from among the many that I have received since writing the article. First:—because they are from well known men, eminent as Bankers and Financiers, and second:—because living 3,000 miles apart from each other, they likely represent the local sentiment and interest. They both came unsolicited, for I have never had the honor of meeting either Mr. Coe or Mr. McDonald. Mr. Coe, the President of one of the largest Banks in this city, is one of our best known men throughout the country for his eminence, great experience and public spirit. The letters are as follows:

AMERICAN EXCHANGE NATIONAL BANK OF NEW YORK, N. Y.

GEORGE S. COE, President.
DUMONT CLARK, Vice-President.
EDWARD BURNS, Cashier.

NEW YORK, April 10th, 1893.

JOSE F. DE NAVARRO, Esq.,

My Dear Sir:

Accept my thanks for the April "Forum" containing your interesting article upon the Silver question. I cordially agree with you that the subject can only be settled upon a commercial basis, by giving and receiving silver at its current value in the world at large. This once agreed to, other nations would be compelled to adjust themselves to the situation, and the increased use of the two metals would tend to restore their relative value. This view of the subject I did my best to enforce, together with Mr. Windom. The effort with him was premature, but I firmly believe that it can be revived and your article will be effectual in that direction. Commerce is larger than Governments, and will certainly prevail over them all. When once this conviction prevails we shall all be surprised to see how easily natural laws will conquer local prejudice and legislation.

Yours gratefully,

GEO. S. COE.

SAN FRANCISCO, April 5th, 1893.

J. F. DE NAVARRO, Esq., New York.

Dear Sir:

Although a stranger, I take the liberty of writing to you concerning your article in the April "Forum." It is such a clear-cut, practical, business-like solution of the sadly misunderstood silver problem, that we feel it right to have extensive and immediate circulation where it will do the most good; and, if agreeable to you, we should like to reprint same and mail it with compliments of our bank to all the bankers of the country and to all members of Congress.

Our National Legislature and the general public seem little to know the great danger that threatens our country in the impending inequitable depreciation of our unit of money values, and possibly your calm, forceful suggestions may awaken a few of those in power to a realizing sense of the blow about to be given to countless millions of time obligations at home, not to mention the demoralization imminent in the enormous sundry-bond-indebtedness of our people to residents of foreign lands.

If the finances of the country are not to receive a most disastrous blow, we feel something must be done at once, and, if agreeable to you, we should like to contribute our small share to the great work of enlightening the misinformed by placing your admirable article within reach of a larger circle of influential readers.

Should you agree with us in the proposed course, please advise us whether it will be necessary also to address the publishers for permission to reprint. Of course we shall take pleasure in giving them due credit.

Thanking you most sincerely for so clearly expressing what so many of us have felt, but have failed to voice in such a happy manner, we are

Most respectfully,

R. H. McDONALD.

N. B.—Read the able article "Gold and Silver as Currency" in the Republican Magazine of July, 1892, by C. G. Williams, Pres. Chemical Bank, New York, advocating in the strongest terms the solution of the Silver Problem substantially in the way herein proposed. As an evidence of the high esteem in which he is held by his colleagues, it is proper to mention that he has been chosen President of the N. Y. Clearing House in the midst of this Great Crisis. In fact if the Government consulted the Presidents of the New York Banks, the majority of them would endorse substantially such a plan.

THE GREAT SILVER CRISIS.

This is unquestionably a silver crisis, and incidentally it has been the primary cause of our industrial troubles, for we never were in a sounder condition and more prosperous than when overtaken by it. There never was a great financial crisis in this country, whose cause and effect was so clearly defined as the present one, and whose consequences were so apparent from its very inception.

This crisis really began on the 14th of July, 1890, when the Law gave the Government the option when short of gold to pay its Treasury notes in Silver at its nominal value in utter disregard of the adverse condition of Silver and its decidedly unfavorable prospects. The intrinsic value of the Standard Silver Dollar was then \$5 cents and when the crisis culminated on the 27th June, 1893, the day after the suspension of free coinage in India, it sold at 45 cents; however, the remedy is as plain as the grievance, simplicity and thoroughness being the characteristic of all true remedies. Let then Congress declare that when paying the Notes in Silver **they shall be paid on Gold basis** and confidence will be restored at once; nothing else is needed and **nothing else will accomplish it permanently**, and the \$200,000,000 and more of investments withdrawn from this country in Gold alone the last three years mainly on this account will rapidly return, even in larger quantities, for no one doubts our integrity and ability to fulfill our engagements with a wealth amounting to over \$67,000,000,000 which is greater than that of any other nation and with no threatening political clouds in our horizon. Can England, France, Germany, Austria, or Russia, say as much?

* President Harrison in his annual message December, 1892, said: "I have great satisfaction in informing you that the general conditions affecting the commercial and industrial interests of the United States are in the highest degree favorable. A comparison of the existing conditions with those of the most favored period in the history of the country will, I believe, show that so high a degree of prosperity and so general a diffusion of the comforts of life were never before enjoyed by our people."

It is a singular fact that the same day that the President was sending the above gratifying message to Congress—and all he said was literally true—I was writing to the New York Chamber of Commerce, of which I had been a member for 35 years, the following letter announcing the approach of the great financial crisis, the reasons for my opinion and my plan for averting it. Read the closing page of the letter, folio 16.

SYNOPSIS OF THE REMEDY.

MAKE SILVER REDEEMABLE ON GOLD BASIS and the Silver Problem is solved.

The following amendment to the Sherman Act will solve absolutely, satisfactorily and forever the Silver Problem:

First: "That in future the Parity between Gold and Silver shall be fixed every day by a Government Commission according to the Market Price of Silver Bullion, but in no case to be fixed at a Ratio less than thirty-two parts of silver to one part of gold, and that the Standard Silver Dollar and its Paper Representation, when not exchanged or paid for at the Treasury in gold, shall, WHEN DEMANDED, be converted as Gold coin into Government Silver Bullion at the Parity of that day as fixed by the Commission."

And this is all.

The convertibles will consist of the United States notes, the Treasury notes and the Silver Certificates in addition to the Standard Silver Dollars.

The amendment does not propose any change, but provides for a full indemnity in case of default in Gold payments on the part of the Government; and above all it rehabilitates our immense treasure of Silver, costing us about \$160,000,000 gold, by making it available under the Gold basis for its actual value, now condemned to perpetual inactivity as long as we monetize it at a price so far above its market value.

It is not the purchasing clause of the Sherman Act that has brought on the present crisis, but the absence from it of just such a compensating clause as is outlined in the above Amendment. Our foreign Creditors do not care how much Silver our Government accumulates in its vaults, except in connection with our threatening law, but they fear that they may be forced finally to receive their pay in dollars worth less than 60 cents instead of in those worth 100 cents, which they claim they are entitled to.

Now let Congress pass this amendment in due form, for it will restore confidence at once on both sides of the Atlantic, and adjourn all other matters to December.

Besides the adoption of this System and its future operations will not cost the Government or the Silver people anything, outside of the expenses of the Commission; no loss either for interest, insurance, storage or depreciation; and it will put Silver on an unassailable, sound basis.

Nothing else need be altered; business will go on just as usual; not one person in fifty will notice any change, and not one person in fifty thousand will ever go to the Treasury for the conversion of silver, while the desired reform will be working quietly and harmoniously in thorough, perfect order as far as silver is concerned, and the correction of the industrial troubles will soon follow, for so far they are all consequential to the Silver crisis.

July 7, 1893.

NEW YORK, December 31, 1892.

To the New York Chamber of Commerce:

BIMETALLISM UNDER THE GOLD STANDARD.

For International Transactions.

I submit to your honorable body for due consideration the following solution of the silver question. The plan is simple, sound, practical, and self-adjusting, one realizing completely a constant parity of gold and silver circulation. It is as follows:

Present condition of the United States Treasury: **Liabilities**, (exclusive of Gold certificates) in Government notes outstanding, \$775,008,209; **Assets**, in Gold, (exclusive of gold represented by certificates,) \$121,266,662; in Silver, \$462,369,518; Total, \$583,636,180; Assets about 75 per cent. of liabilities.

The legal tender notes are made payable either in gold or silver coin, at the option of the Government. The Secretary is instructed in the act (*in substance*) to pay them in gold when possible, and he has done so; but since then the price of silver has been steadily going down, from about 94 cents to 64 cents for the Standard silver dollar, and in consequence the Treasury gold is being exhausted and so rapidly that people realize that the Secretary will be compelled soon to pay them in silver. Now, my remedy is simply to supplement the Act of July 14th, 1890, providing that when paid in silver they shall be paid on gold basis if demanded, in the following manner:

First:—"That in future the Parity between Gold and Silver shall be fixed every day by a Government Commission according to the Market Price of Silver Bullion, but in no case to be fixed at a Ratio less than thirty-two parts of silver to one part of gold, and that the Standard Silver Dollar and its Paper Representation, when not exchanged or paid for at the Treasury in gold, shall, when demanded, be converted as Gold coin into Government Silver Bullion at the Parity of that day as fixed by the Commission.

Also to retro-convert the Government Silver bullion into Silver Dollars and Notes in the same manner and conditions as for the conversion.

Second:—"That all Government Silver Bullion shall in future be Legal Tender for its value when cast into regular ingots of 100—200—500—1,000 and 2,000 Dollars and nine-tenths fineness same as the Standard Silver Dollars and be stamped with the United States Seal, its weight and fineness and the words 'Legal Tender for its full value.'"

Third:—"That a Silver Commission of three members be appointed by the United States Government in the following manner: One of them to be proposed by the New York Chamber of Commerce, one by the Chicago Chamber, and one by that of San Francisco; all to be acceptable to the Government. Their duties to be to ascertain and fix every day the price of Silver, the same being based on current market transactions, differing only when and so far as public interest may require it, as deemed by the Commission.*

* The Commission should consist of such men as either J. Pierrepont Morgan, Abram S. Hewitt or Cornelius N. Bliss, on the part of the New York Chamber.

It is not of absolute necessity to make the Bullion Legal tender; but it would add greatly to its value and efficiency by making it thus money of ultimate payment.

EXPLANATION OF THE PROPOSED LAW.

The *First* section: *Paying the Silver Currency on Gold Basis.* It means for example, that when the intrinsic value of a Silver dollar is worth in Gold only 50 cents, the Treasury will pay for it \$2 in Silver Bullion; if it is worth 64 cents as at present, \$1.56 in Bullion, and so on, and yet, the Treasury will not lose anything by these operations as the bullion will be replaced the same day and consequently at about the same price either in New York or London with the amount of money received in the initial transaction. Besides there will be no occasion for transactions of this kind, except when a banker or merchant wishes to transfer funds abroad in *Specie* in preference to exchange. No occasion in domestic transactions.

The *Second* section makes all Government Silver bullion Legal Tender when properly treated and stamped as described. The system might be carried down to its ultimate fractions by casting and coining few pieces of smaller denominations; but only as a curiosity, as they would not be used in domestic transactions, and much less in shipments, which are always made in large lump sums in ingots. Silver Dollars are never sent abroad—they are not wanted.

The *Third* section establishes a sort of court of arbitration, sitting every day, to ascertain and decree what is the market price of silver. This part of the law, of course, is discretionary and admits changes, but is most important. The Commission should be composed of men of the highest character for experience, integrity and patriotism, broad-minded and free from sectional prejudices and personal interests. A good Commission frequently will be able to almost dictate what metal shall be exported or imported, gold or silver, in settlement of our balances.

The Commissioners should meet every day at the New York Sub-Treasury, after business hours, to determine then and there, after reviewing the day's transactions in silver in this and London markets and other pertinent questions, fairly and without bias, what shall be the Government price of silver bullion for the next day.

As stated above, although this law is general, it will only be availed of in *specie* transactions with foreign countries; in home dealings no notice will be taken of the privilege.

The above is all that is necessary to solve the Silver question, the rest of this paper is argumentative and general information.*

* After the Amendment, people should not consider the *intrinsic value* of the Standard Silver Dollars, they should regard them simply as Government promises to pay, and as Government notes—in the one the promise is stamped in a piece of silver, in the other it is printed on a sheet of paper.

Some people may object to the retention of the Silver dollars as money for fear of counterfeiters. To that it can be answered that such indulgence has existed ever since the depreciation of Silver without suffering from that "malady," besides the same may be said of Government and Bank notes, but if preferred they may be reduced to Government bullion, making only the Silver notes convertible. It would be preferable however, to try first without abolishing our Silver Dollar.

PRACTICAL WORKING.

It is no new honor to Silver to be Legal Tender as the Silver dollars have always been so, and if the Government notes of all denominations, from 1 to 10,000 Dollars, of *no intrinsic value* are Legal Tender, there is a double reason why the Government Silver money of all denominations, from 1 to 2,000 Dollars, of *full intrinsic value* should be also Legal Tender. As intrinsic money, let us subordinate Silver to Gold, but let us grant also to Silver its full rights that it may better serve its more powerful associate.

Silver will rapidly recover from the present depression after it is reinstated in its legitimate functions as money, and then will become much more steady; its price should not vary on an average over $\frac{1}{4}$ of one cent a month either way, with lapses of weeks without any change whatever; as it has often happened even under our present system.

*The proposed plan makes no changes and is the only possible way out of the difficulty—the trouble does not lie in the Silver, but in the proposed inequitable manner of using the Silver when the Treasurer chooses to pay in silver, and the amendment will completely correct this wrong. The public will not care for the price of silver; all domestic transactions will go on the same as at present. All checks and bills will be paid at the option of the Payer in gold, silver or notes, all at par and always at par, same as now, but the Payee will always have the right to demand from the Government payment of its Silver dollars and Notes in gold or its full equivalent in silver bullion as explained. The price of silver will interest only the Government and the parties dealing with the Government—and only when they wish to convert their Notes and Silver dollars into Government bullion (mostly for export), or retro convert their Government bullion (generally imported) into Notes or Silver dollars. The plan is sound, thorough and easy to carry out.**

* Here follow examples of all possible transactions at the Treasury: A banker wishes to transfer to Europe \$1,000,000 by shipment of specie, exchange being too high, and decides to send gold. He takes his Government Notes for \$1,000,000 to the Treasury to get the gold, as usual, but the Treasurer, contrary to his custom, decides to pay them in silver and hands him a *warrant* of Government silver bullion for \$1,562,500 at face value \$1,000. Gold. The banker may sell his bullion at once in London, cable and ship it, or may carry out the original idea by getting from his Bullion broker \$1,000,000 in gold, paying him with the Treasurer's *warrant* plus $\frac{1}{4}$ per cent. commission—\$2,500—making a loss of $\frac{1}{4}$ per cent. instead of a loss of 56 per cent. as under the present law, and the Bullion broker will get the Treasurer's *warrant* retro-converted into Govern. notes for \$1,000,000. Another banker comes in with \$1,000,000 of Government silver bullion just received from abroad and he gets at 64 cents, Govern. notes for \$640,000. At first some people will call at the Treasury out of curiosity, for instance: One will bring a ten dollar note, and gets \$15.62 in Govern. bullion; then another with one silver dollar and receives \$1.56 in Govern. bullion—which they will possibly retro-convert before they leave the office, or expend outside at the reduced valuation, and in the latter case the bullion will soon find its way back into the Treasury, probably through the banks, people preferring representative money (Silver dollars or Bills) to which they are accustomed. After a few days the curiosity will cease and no one will call except the occasional exporter or importer of Govern. silver bullion or some one to sell plain silver bullion. Outside of the Treasury there will be no occasion for such transactions. It is estimated that not over 500 transactions of this kind will take place a year, but that the aggregate amount may reach to 25 or 50 millions of dollars,

GENERAL INFORMATION.

There are three money systems in the world: the Gold Standard, as established in England and Germany; the Silver Standard, as current in India and China; and the Double Standard (bi-metallic), as used in France and the United States, both republics, and the most prosperous, and with less pauperism than any other nation in the world. The two first systems are impossible in this country and the third under the old fixed parity system has become inoperative under the modern refined methods of business. Congress has the alternative.

FIRST—To adopt the Gold Standard by selling in Europe for Gold about \$250,000,000 of its bonds—this would be the very best plan but unfortunately it cannot be carried out—they cannot spare that amount of Gold any more than we can—they might do it temporarily if profitable enough, but they would take it back as fast as it came by forcing into this market an equal amount of our other securities which they hold in large quantities.

SECOND—To adopt the Silver Standard, this plan is practical and simple, but we have not silver enough to carry it out in this country, besides it would be most humiliating to us and unjust to our creditors on both sides of the Atlantic and cannot be entertained.

THIRD—*To improve the Double Standard that we have been working under from the beginning of our Government by making it applicable as well to international transactions in the manner proposed. This we can do and should do, being thoroughly equipped for it.*

There is still another plan often recommended—it is to change the old fixed parity of 16 to 1, to a new fixed parity in accordance with the actual value of Silver; but this has no fixity, for this value would change even before it became operative. The real parity now is about 25 to 1, and before we finished recoining the new Silver dollars at that rate, or any other rate, which would take years, it might be 30 to 1 or 20 to 1; besides the system is provocative of speculation.

Lately a novel scheme has been proposed namely: to create a compound metal of gold and silver in certain proportions for money purposes only. This has both fixity and constancy, but when the market value of the metals in the coin is higher than its nominal value, people will melt them for profit; and when below, they will be a temptation to the counterfeitors.

Fixed parity is an impossibility and a **flat parity** is only practical amongst Creditor nations—with them it is a question of quantity, not of quality. A Debtor nation should have two kinds of money. **Fiat** money for Domestic transactions and **Intrinsic** money such as he one proposed for Foreign operations, and this is more likely to be adopted by International agreement, before they will agree on the Universal free coinage under a uniform Fiat Parity.

It is asserted that the Silver interest would oppose this amendment, but there would be no sense in it. They are not asked to do anything different from what they are doing at present under the Sherman Act—they are selling to the Government their Silver on Gold basis and they are receiving payment in Treasury notes on Gold basis, the Treasury reserving the right to pay the notes on Silver basis, when short of Gold and the amendment takes away this lenient right from the Treasury. The government might have some excuse for opposing it, for they would be relinquishing a privilege; but they will not do so, for it is repugnant to them as it is very apparent to all unprejudiced men that the existence of such possibility on the Statute books has been the primary cause of our present trouble.

The Government will suffer no loss by the adoption of this plan from future operations, for the reason that the silver bullion paid out in redemption of Notes and Silver dollars will be replaced the same day, and, of course, at the same price. No loss or profit either in the large stock of silver now on hand, no matter what the future ruling price of silver, high or low, as there is no necessity of disposing of it; and it should not be sold, for it does not cost anything to hold it either for interest, insurance, storage or abrasion and is needed as a permanent reserve fund for the outstanding Silver currency.*

The notes issued under the amended act might be called "Government notes," and be full legal tender, and all the present notes should be replaced with these notes, and so have one uniform circulation, all optional, payable in gold or silver. Now we have such a confusion of Government Notes that few people outside of Bank Tellers and the Secretary of the Treasury, can understand it; some are payable in gold, some in silver, some in coin (gold or silver), some in paper, some are legal tender, and some are not legal tender.

Under the new plan the export of \$50,000,000 in gold should not concern us any more than the export of \$50,000,000 in silver; besides, the Silver Commissioners will have considerable influence in the choice by the shipper of the metal *most profitable* to export—such influence as is exercised constantly by the governors of the Banks of England, France and Germany in gold movements. This system would probably prove a more wholesome check on the exportation of gold in undue quantities than the raising of the discount rate does in London, Paris and Berlin, for this works a hardship on the entire money market and discourages all investment, while that restraint is special and applies directly to the grievance. It is the writer's opinion that the United States Ingots would soon be seen all over the world.—They would be preferred to silver in ordinary conditions. Our Government's assay alone would make them preferable even for melting for the arts, outside of their money privilege in the United States.

* No loss for interest, as the notes issued for the silver bear no interest.

Many people claim that the Silver industry has no right to any protection, others believe that it is the only interest that is protected, others denounce this protection as the source of all our financial troubles; now, those people should be reminded that all governments protect their industries, more or less, in some form or another, and that the United States has been doing it, incidentally and intentionally, for the last 100 years. Let us consider first the cost of the Silver protection. The Controller of the Currency in his last report calculates that the Government has lost in the silver purchases during the $\frac{4}{5}$ years, the important sum of \$71,667,615, this is an average loss of \$4,858,821 per annum, being about 10 per cent. on the amount produced. Now let us compare this with the protection given to sugar. The Government has engaged lately to pay to its producers for a period of 14 years, a bounty of 1 $\frac{1}{4}$ to 2 cents per pound of sugar raised in this country and last year, which was the first of the fourteen years, the planters and farmers North and South received from the Government on this account, the important sum of \$7,342,078 on a total production of less than \$15,000,000, a percentage of about 50 per cent., and no one can calculate to what extent it will amount 13 years hence, for it is going to increase enormously; and yet it was a wise thing to do for it will develop into immense crops of cane, beet and other sugars, which we are in great need of for our own consumption.* There are hundreds of other industries protected through the Custom House by the Government, the great majority at much greater percentage of cost than the Silver, and all this is paid by the people more or less directly.

It would be wise now to stop the purchases of silver, having sufficient supply for the present and for its unpopularity; but to simply repeal the Sherman act or its purchasing clause without a suitable provision for compensation in some form, would be very unjust and a serious blunder; it would merely ruin our silver industry without bringing a corresponding relief to the country. The result would surely prove disappointing. It is not the silver in the Treasury that troubles the financial world, on the contrary, but the fact that the Government, if obliged to use the silver, is compelled to pay it out at its nominal value, instead of at its real value, contrary to all sense of justice and fair dealing. Remember that the Government has received a gold dollar's worth of silver for every dollar represented by these Treasury notes, and is so receiving now. Should circumstances compel the Secretary to pay this dollar note with a silver dollar according to law, the Government would be actually compounding this part of its debt at 64 cents on the dollar. The thing is so unjustifiable that I do not believe any Treasurer will ever pay them in silver until all the gold in the Treasury, save that represented by gold certificates, is exhausted—then the law becomes mandatory.

*The total importation of cane and beet sugar in 1892 amounted to \$16,720,226

After all would it not be preferable to continue the purchases of silver at the present or lesser monthly rate, until the total amount of silver in the Treasury shall reach \$10 "per capita" and hold it at that figure; and this rate be added as well on the increasing part of the population as the same is estimated from year to year by the Secretary of the Treasury? The present amount at the Treasury is about \$7.00 "per capita"—in circulation, including fractional silver there is about \$2.00—total, \$9.00. The total silver in Holland "per capita" is \$14.25, in France, \$18.25, and the only reason they have no such trouble there is because they are Creditor countries, while we are a Debtor nation, (heavily), and our foreign creditors are in constant fear that our gold may give out and they be forced under the present Law to receive payment in silver dollars; worth in Europe only 64 cents, or less. There is no trouble with our own people as long as the silver is represented by our Government legal tender notes. It would be advisable also, to pay a bounty of 2 $\frac{1}{2}$ per cent. to the exporter of Government silver bullion; this would more than pay the difference in freight and charges between gold and silver bullion shipments—it might cost the Government about \$1,000,000 a year, but would greatly stimulate its exportation. In this case the legal tender privilege should be cancelled on the ingots before its shipment, *vide page 18.*

According to statistics from the United States Mint Bureau, the total amount of money of all kinds (gold, silver, and Government and bank notes), in circulation, in the United States, is about \$25.15 per capita. The rate varies considerably in the leading commercial nations of Europe—from \$18.42 in the monometallic, ultra-conservative England (with a clamor for more) to \$8.88 in the bimetallic, cautious, but enterprising Holland, and still higher, to \$40.56, in the bimetallic, industrious, and economical France; and although not due to the volume of currency, the latter's prosperity is such that her wealth equals now that of the United Kingdom, showing that at least it is not detrimental, besides her wealth is better distributed. Now comes the important question: Is \$25 a proper amount for this country? If so, should we or should we not increase our currency as our population increases? This increases at the rate of about 125,000 a month. Should we increase our currency by \$3,125,000 a month, that being the proportion? *

The stoppage of the monthly purchases of 4,500,000 ounces of silver will stop, of course, the issue of its cost in notes, now about \$3,700,000 a month, thus closing down all increase of currency, and may result even in serious contraction if the foreign balances continue against us, as these will have to be settled in gold and silver.

* Including covered paper the figures stand thus: United States, \$34.20; England, \$22.30; Holland, \$38.78; and France, \$54.87. Covered paper means paper representing deposits of specie, which are not to be used except in payment of that paper, such as the United States Gold and Silver certificates, sort of Warehouse-warrants, and is only counted once by all statisticians.

During the last 10 years owing to the gradual cancellation by the National Banks of \$190,295,600 of their circulation on account of its unprofitableness, the net increase of our total circulation (gold, silver and paper) was reduced to \$185,096,246, equal to \$18,509,624 per annum or \$1,542,468 per month, or 12.43 percent. for the whole 10 years, while our population in the same time increased 24.86 per cent., our wealth 28.40 per cent., our foreign commerce 25.93 per cent., and our agriculture industry and internal trade considerably more; and yet many people are under the impression that owing to the purchases of silver during this period there has been an enormous expansion of currency and are predicting disastrous results. This opinion as demonstrated is erroneous, besides it is not the redundancy of money that ever produces crises and panics but its bad quality or its insufficiency or both: redundancy will overestimate business temporarily, but that always corrects itself, for "Mr. Supply and Demand" will invariably bring the delinquents to their senses.

Moreover there is no difficulty in ascertaining the amount of currency required in the country if we only give to it the elastic property so much recommended by all modern Political Economists, but this condition is always neglected everywhere in legislating on this most important subject. No money system is complete without: some plan or device that will give to circulation an elastic action of quick and automatic response, and which will constantly adjust the supply to the demand—by this means the rate of interest might be maintained at a given rate within 2 to 3 per cent. now, in some seasons of the year we have too much money, at others not enough. It should never be allowed to descend below 3 per cent. nor ascend over 6 per cent., with good security, while at present, *like a steam engine without a governor*, runs riot between 2 and 20 per cent., and even higher, and often it is impossible to get money with the best collaterals—this should not be. Truly the currency question is paramount to the other fiscal questions, of Silver and Tariff.

Should it be decided to increase the circulation by the Government, the Legal tenders would have to be based on gold or silver, and this means further purchases of either or both; but if by the National Banks, it might be done by allowing them to secure their Bills with first-class Railway Mortgage Bonds and State and City Securities to be approved by the Treasury for 80 per cent. of their current value.

It is not over-production that has caused such a great steady fall in the price of Silver the past few years, but its gradual disuse for money purposes for want of agreement amongst the leading nations of the world about the Silver parity with Gold, and to a settled conviction that whatever parity they agree upon, it will only be of a temporary character which will have to be changed over and over again at a great expense for recoining,* etc., *for Commerce, that is*

* August, 1893. According to Secretary Carlisle it would cost this Government \$112,866,321 to recoin our present 16 to 1 Dollars into 20 to 1 Dollars.

stronger than Governments will always assert itself, besides, the European nations being substantially non-producers of Silver, do not feel the same interest that we do who produce about 42 per cent. of the whole world's output. We repeat, the iron rule of supply and demand controls everywhere, and silver is no exception; and a parity adaptable to this natural trade law must be found, and such is the one proposed, changing as the price of silver changes, up or down.

Germany has adopted and is trying the single gold standard, but so far its effects are not at all satisfactory; they cannot sell any more silver and they are not buying gold to replace it. In their statements they report the silver as money (although it is not so in law), without distinguishing it from gold, under the head of *specie*, contrary to the practice of other nations. England is the only nation that is honestly working under the gold standard, but there is a strong influential party there also working in favor of bimetallism, and she will follow us as soon as we adopt and make a success of our plan.

Universal adoption of a gold standard exclusively is an absolute impossibility; in the first place, there is no market for the thousands of millions of dollars' worth of silver used to-day as money by the different governments, banks, and people, unless the price is brought down to the level of base metals, selling by the pound, such as copper and tin!!! in the second place, there are no thousands of millions of gold that can be bought to take the place of the discarded silver, not even hundreds of millions; in the third place, if the precious metal security (gold and silver) serving as basis to the paper in circulation is reduced to about one-half, will not the people's confidence in the notes suffer to a like extent? And, lastly, is it wise to give to gold a much greater pre-eminence than it enjoys now by this exclusiveness? Will it not stimulate the craze of people for hoarding it?

In fact it would be madness to adopt Gold as the only intrinsic money; for specie is the only quick basis for paper currency, and the reduction of the one would necessarily bring a reduction of the other. This would be aggravating the struggle between capital and labor to a dangerous point, for gold would rise and indebtedness enhance while commodities and labor would go down.

The total amount of money in the civilized world at present is estimated as follows: In gold, \$4,150,000,000; in silver, \$4,005,000,000; in paper, \$3,855,000,000, total \$12,010,000,000. The paper includes that of Europe, United States and British, Spanish and French colonies only. See *Mulhall's Statistics*, London edition, 1892.*

* The total Gold production of the World, in 1892, was 6,615,600 ounces at \$20.67 = \$136,744,452, of which the United States 1,650,000 ounces, at \$20.67 = \$34,105,500, equal to 24.94 per cent. of the whole—largest of any country.

The total Silver production of the World, in 1892, was 39,733,900 ounces, at 82½ cents, (present price equivalent to 63.81 cents for the Standard Silver dollars) \$115,280,400 of which the United States \$8,330,000 ounces, at 82½ cents \$48,122,500, equal to 41.74 per cent. of the whole—largest of any country.

According to the United States Mint Bureau Reports, there are about \$650,000,000 of gold in the country, of which the Treasury holds \$233,359,801, consisting of \$117,093,139 of special deposits from bankers, capitalists, bullion brokers, and others, received with "gold certificates," and \$121,266,662 belonging to the Government; of the latter \$100,000,000 are set apart as a reserve for the \$339,933,541 of United States notes (greenbacks) in circulation, leaving free only \$21,266,662 to take care of the \$444,974,668 of silver notes outstanding. The national and state banks hold \$145,084,624 and the rest is held by savings banks, trust companies, and other money institutions; a great part also by individuals in the safe deposit companies and in their private safes. To estimate the great extent of the hoarding of gold by people on such alarming occasions as the present, it is opportune to mention the striking case of Mr. Wilson G. Hunt, one of our most successful and respected merchants lately deceased. He left in his safe deposit vaults, lying idle, the enormous sum of \$800,000 in gold.

The amount of silver in the country is estimated at about \$500,000,000, which at 64 cents would be equal to \$384,000,000 gold, of which there are held by the Treasury and owned by the Government \$353,142,880. The National and State Banks hold \$11,199,894, and the balance is held by the same banks, institutions, and individuals as specified above in the case of gold holdings.

The Government has paid from 1878 for silver \$124,810,495, has coined 416,412,835 dollars, of which there are outstanding \$61,672,455, and has issued \$443,461,537 notes of which there are outstanding \$439,119,955, and of this in one and two dollar bills \$66,300,000 and by depreciation the value of the purchased silver has been reduced to \$353,142,880, causing a nominal loss of \$71,667,615.

The amount of Gold hoarded at present should not be estimated at less than \$100,000,000, about \$1.50 per capita; but most of it will find its way back into the Treasury and the Banks when the Silver question is properly adjusted and confidence restored thereby.

Under the modern methods, except in very rare instances, all important transactions take place in paper (checks and currency) representing the gold as well as the silver, lying idle in Government and bank vaults, to serve as basis and conversion fund for outstanding paper, and for the payment of foreign balances, and 50 per cent. of the amount of Notes in such fund is deemed ample for all such purposes, and comparatively little of either, gold or silver currency, is seen now in circulation, particularly in this country, since we use notes down to \$; the smallest in France is of \$10, in England of \$25. As to metallic currency there are fewer millions of dollars of gold in actual circulation in this country than of silver dollars, and this without counting the fractional silver coin.

Spain, then her colonies, supplied for centuries from their mines and mints the leading commercial nations with most of the gold and silver coin in circulation. Their largest gold coin (*onza*) weighed one ounce and was worth \$16. Their largest silver coin (*peso*) weighed also one ounce and was worth \$1—thus originating the parity of sixteen to one, both the gold and silver coins being alloyed with ten per cent. of base metal for hardening the pure metals, and the United States adopted it also by coining the Gold dollar of 25 $\frac{1}{2}$ grains and the Silver dollar of 41 $\frac{1}{2}$ grains and 9/10 fineness.

The use of silver as money is inevitable, but it must be used as an auxiliary to gold and on a gold basis at the market price in International transactions. I have been urging this solution ever since the passage of the Bland Act, in 1878, and have received commendatory letters from many distinguished statisticians; amongst them two from Secretaries of the Treasury of the United States—Messrs. Windom and Foster. The former even went so far as to introduce a bill in Congress with this feature, but not properly, for in that form it would have been highly speculative for the government, besides other serious objections. Finally, I have never heard any person find any flaw to this plan, or suggest any other practical scheme or remedy in its place except abolition of silver money, and that is not possible.

In Europe they are in just such a plight as we are, for there is not gold enough "to go around," and they are overbidding each other constantly to secure it. In fact, they are all anxious to rehabilitate their silver from its present "comatose" condition, but it is hopeless to accomplish it by international conferences; we have gone through five such conferences, all fruitless, and the proceedings of the last at Brussels, representing about twenty nationalities, were of the most hopeless nature. Nothing will be considered seriously until England takes the initiative. It is time now that the United States should act for themselves, independently as becomes a great nation; there is no real need of concurrence with other countries, although we should be glad to act together. Let Congress enact some such plan as this and we shall see the American system (always practical), adopted in Europe before long, and our Commission forming part of an International Commission intercommunicating and fixing the price of silver in accord by cable for both continents.

Silver, with this legitimate steady use, will gradually rise and may reach par again, namely, \$1.29 $\frac{1}{16}$ per ounce of pure silver. People forget that the same trouble has happened with gold, and several governments had to demonetize gold—for instance, Germany, Austria and Holland in 1857; and that silver has been at a premium many times and for long periods.

The nations having to purchase silver, like England, Germany, Denmark, Sweden, and Portugal, working under the Gold Standard, will soon join us by taking advantage of the present low prices.

Our total Wealth is estimated at about \$65,000,000,000, and our foreign Debt at about \$3,000,000,000, which is not disproportionate; yet it is so large in itself that the withdrawal of only 4 per cent. of this Indebtedness will consume all the Government Gold, and the withdrawal of 6 per cent. additional will exhaust the Gold of all the Banks in the Country; and all this trouble because we insist in ignoring our rich Treasure of Silver, costing the Nation to date \$124,810,495 Gold.

Our Government never had such a momentous, far-reaching question before it, with the exception of that of the Civil War, but it is feared that it will not act in time to avert the impending crisis.

In conclusion, under the present régime, in forecasting the consequences of coming events, it is reasonable to expect—

FIRST.—That silver, with the stoppage of Government purchases without adopting this amendment, will decline still more, and the intrinsic value of our silver dollar be reduced perhaps to fifty cents.

SECOND.—That the Government will be compelled then either to exact gold certificates in payment of gold for export or let the Treasury be depleted of its gold by the presentation of silver notes.

THIRD.—That the exaction of gold certificates at the Treasury will cause gold certificates and gold itself to rise to a premium and, in consequence, the hopeless struggle at parity to come to an end.

FOURTH.—That among many other evils the *income* of foreign investors from our securities will be reduced to about one-half; for all the dividends and most of the interest will be paid in the depreciated currency, and the bankers will require gold for the bills of remittance.

Under such circumstances: What will be the condition of foreign markets for our securities? What of our own market? What of our general trade?

The situation is very serious in view of the contemplated necessary changes, and in the writer's opinion there is no other possible remedy but some such plan as that sketched above, to wit: **To monetize Bar Silver on Gold basis for International transactions. For Domestic trade each country can keep its own Parity.** This can be adopted by a single nation independently, and would soon be followed by the others, and might be made even *legal tender universally by international agreement*. Let America initiate the system, for it needs the most, being a **Debtor** nation (heavily); besides its adoption and operations will not cost the Country anything, and the *Status* of our domestic finances will not be touched at all. This is the only practical remedy, not only for the present but for all time and for all countries.

Very respectfully,

JOSÉ F. DE NAVARRO,
Member of the Chamber.
December 31, 1892.
143 Liberty Street.

AS TO THE CONSTITUTIONALITY OF MAKING INCOTS LEGAL TENDER MONEY, BY COINING OR STAMPING BY THE GOVERNMENT.

SECTION 8, of Article 1, of the Constitution, says: "The Congress shall have power to coin money, regulate the value thereof and of foreign coin, and to fix the standard of weights and measures."

SECTION 10, of Article 1, says: "No State shall coin money, emit bills of credit, or make anything but gold and silver coin a tender in payment of debts."

WEBSTER'S DEFINITION OF THE WORDS COIN AND TO COIN.

Coin. A piece of metal on which certain characters are stamped by government authority, making it legally current as money.

To Coin. To stamp and convert into money, as a piece of metal; to mint.

N. B. Observe that neither the Constitution nor Webster requires any particular form or weight in the *piece* of metal to be coined or stamped into money, besides bar money has existed in different nations up to about the middle of last century.

EFFECT OF THIS AMENDMENT ON SILVER.

- 1st.—It will rehabilitate Silver completely in its functions as intrinsic money in International transactions, by making it available for its full value under the Gold Standard, first in this country and very likely soon in Europe.
- 2d.—It will secure to Silver the minimum price of 50 cents for the Standard Silver dollar, and in addition to it, any excess above that price that may be ruling in the market at the time of the transaction.
- 3d.—Should the European nations, struggling now against the Single gold Standard, adopt our new bi-metallic system, a large demand for Silver will be developed, which will extend over a long period.
- 4th.—If the silver trouble is not settled now, and it can only be settled permanently **on a commercial basis** for International transactions, it will be discarded soon as money by the leading nations of Europe, under the influence of England, Germany and Austria; remember they are all creditor nations.
- 5th.—*In adopting this system, the Silver people will not lose or jeopardize a single right or privilege that they enjoy at present, and silver will remain money of ultimate redemption and payment just as much as Gold.*
- 6th.—This amendment should be adopted whether the purchasing clause of the Sherman Act is repealed or not, for it strikes at the root of our real trouble.

PLAN RECOMMENDED ON PAGE II.

**BASIS: PRESENT POPULATION ABOUT 67,000,000. ANNUAL
INCREASE ABOUT 1,500,000.**

TOTAL SILVER IN TREASURY SEPTEMBER 30th, 1893.

Silver dollars antiding July 14, 1890, - - - - -	\$333,142,025
Silver dollars and bullion under act July 14, 1890, - - - - -	151,290,256
Fractional silver, - - - - -	14,247,902
Total equal to \$7.44 per capita, - - - - -	\$498,680,183
Raise this total to about \$10 per capita on 67,000,000 - - - - -	670,000,000
Difference that might be increased in 5 years, - - - - -	\$171,319,817
Making per annum, - - - - -	\$34,265,963
Add for 1,500,000 annual increase to population @ \$10 - - - - -	15,000,000
Increase per annum, - - - - -	\$49,263,963
Increase per month, - - - - -	\$4,105,330
Equal to ounces per month to be purchased, - - - - -	3,175,216
After the five years, the increase in dollars per month on account of the annual increase in the population, would be \$1,250,000, equal to ounces per month to be purchased, - - - - -	966,797

SPECIE AND BULLION HOLDINGS OF LEADING EUROPEAN BANKS.

Bank or	July 6, 1893.			July 7, 1892.		
	Gold.	Silver.	Total.	Gold.	Silver.	Total.
England.....	\$145,266,885	\$	\$148,765,283	\$135,765,283	\$	\$138,765,283
France.....	343,734,310	325,464,505	669,208,895	318,367,563	358,937,055	677,304,620
Germany.....	163,245,000	54,415,000	217,660,000	185,551,250	61,188,750	244,739,000
Austria.....	51,000,000	38,385,000	89,385,000	39,445,000	34,175,000	73,620,000
Spain.....	32,500,000	32,400,000	72,800,000	36,260,000	36,175,000	64,135,000
Holland.....	14,000,000	35,455,000	49,545,000	16,075,000	35,615,000	51,690,000
Belgium.....	18,670,000	6,855,000	20,505,000	14,300,000	7,250,000	21,750,000
	774,906,195	472,591,593	1,247,500,700	736,184,050	472,330,805	1,208,514,821

Germany does not report the Silver separately but is included in the total specie. It is calculated, however, that 25 per cent. of the total is Silver and it is put down at that figure.

SPECIE AND BULLION HOLDINGS OF THE UNITED STATES TREASURY.

	July 6, 1893.			July 1, 1892.		
	Gold.	Silver.	Total.	Gold.	Silver.	Total.
	\$188,455,432	492,332,471	680,787,903	255,577,705	448,083,116	703,660,821

— 19 —

POSTSCRIPTS.

The following recent utterances from England are both relevant and interesting:

The January number of the *Forum* contains a very able article, entitled "The Crisis in Silver," from the eminent financier, the Hon. Henry Hucks Gibbs, Ex-Governor of the Bank of England. He speaks strongly in favor of bimetallism, denouncing the attitude of the English government in defense of her silver standard, which he considers to be responsible for her large war industrial as well as commercial, which have been suffering greatly for years, owing to a great extent to this short-sighted policy, and urges the government most earnestly to take an active interest in favor of the general use of silver at the coming International Silver Conference.

Lately another distinguished statistician, the Hon. William Lidderdale, the Governor of the Bank of England during the trying times of the Baring crisis, was interviewed by the London correspondent of the *New York World*, and the correspondent cables thus:

His views are encouraging to us, but he nevertheless thinks that America has to face "a very serious financial problem." He decries the Sherman Silver law as all votes out of 313 were cast in its favor, many of them from Mr. Gladstone's own party. A change of 41 votes would have resulted in a victory for bimetallism. Lord Salisbury, Hon. A. I. Balfour, Hon. A. B. Goschen, and many other distinguished statesmen favor it. England has been working under the single gold standard for over seventy years, but is now finding it oppressive.

As an evidence of the growing popularity of bimetallism in England, it may be said that after this article was written a motion was made in Parliament by Sir Henry Thompson, of the International Standard party. Although it was carried by 126 to 116, it nevertheless passed in a long speech, 148 votes out of 313 were cast in its favor, many of them from Mr. Gladstone's own party. A change of 41 votes would have resulted in a victory for bimetallism. Lord Salisbury, Hon. A. I. Balfour, Hon. A. B. Goschen, and many other distinguished statesmen favor it. England has been working under the single gold standard for over seventy years, but is now finding it oppressive.

[BY CABLE TO THE HERALD.]

LONDON, August 8, 1893.—The *Post*, commenting on President Cleveland's message, says:

"America cannot well stop the mere repeal of the Sherman act. The President then put out no suggestion, but some action is certainly necessary to provide for the international standard when the United States return to it. The *Post* suggests that the president should call a special session of Congress, but to make matter and unbiased consideration of the whole question, and to give the world a full opportunity to consider the same, before any action is taken. As a part of the world's currency the metal cannot be demonetized without the safety of the world; and if through America some method for its more extended employment were devised the safety, and if through the world be of supreme importance."

HON. JAMES G. BLAINE'S OPINION.

I believe the strongest non-political influence in the country and in other countries for a single gold standard, will be the success, prior to the final adoption of bimetallism and throughout the commercial world. The destruction of silver as money and establishing gold as the sole unit of value must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously enhanced in value and would gain disproportionately and uncontestedly over every other form of property. The destruction of silver as money, however, makes it impossible to strike silver out of existence as money without results which will prove distressing to millions and utterly disastrous to the world.

I believe that gold and silver coin to be the money of the Constitution, indeed the money of the American people anterior to the Constitution which the great organic law recognized as quite independent of its own existence. No power was conferred upon the federal government to declare either gold or silver coin to be the money of the country, therefore, the federal government, no power to demonetize either any more than to demonetize both. If, therefore, silver has been demonetized, I am in favor of remonetizing it. If its coining has been prohibited, I am in favor of having it resumed. If it has been restricted, I am in favor of having it enlarged.

Please read the Synopsis once more.

SEPTEMBER 20th, 1893.

It is a mistake to suppose that what is restoring the confidence of our people and reopening some of our industrial works is the prospect of an early repeal of the Sherman purchasing clause. That has very little to do with it. It is the accumulation of large quantities of currency from different sources. The last 12 weeks we have received from Europe and Havana, principally borrowed on our choicest securities, in gold, about \$60,000,000

The Clearing houses of New York and other cities have issued to individual Banks in certificates, about 55,000,000

The National Banks have issued bills on Government Bonds purchased principally from Savings Banks, about 30,000,000

Actual increase, \$145,000,000

In addition it is proposed to allow the banks to issue 10 per cent. more of bills on their old Bonds, about 22,000,000

\$165,000,000

Finally, it is said that the Government contemplates issuing Silver Certificates as seigniorage for the prospective coining of the bullion now on hand, (which coin will never be used), about 55,000,000

Total, \$220,000,000

Is this not Expansion with a Vengeance? It would have taken 5½ years of monthly purchases of Silver to increase our currency that much; in the meanwhile our population would have gradually increased to 75,000,000, and yet this great expansion has not touched the real source of our trouble, and the relief will only be temporary and partial.

Where we want to restore confidence is in Europe. Don't forget that we owe there over \$3,000,000,000, costing us for interest, dividends and profits over \$120,000,000 annually, which are mostly invested again here, and they will never and should never be satisfied until we repeal the threatening clause in the Sherman Act, authorizing our Treasurer to pay the Legal tender notes in Silver dollars worth less than 60 cents at their nominal par of 100 cents under any circumstance. This is our real trouble.

OTHER RECOMMENDATIONS.

CURRENCY REFORM.

The second great question, that relating to a correct elastic financial system providing the proper volume and the right character of the Currency required for this country in the future, is a different matter, for it does not participate of the international feature of the Silver Question, and it should be treated separately.

TARIFF RECONSTRUCTION.

The third, namely the Tariff, is the most difficult problem, for in this we are not free to act as we please like in the other two questions—it is principally an international question, it has to suit other nations as well as ourselves—it has to be reciprocal. We must remember that we are not in this respect as independent we were 20 or 30 years ago, for other countries have followed us in our progress and have become competitors and we must either avoid retaliation or compensate for it.

TOTAL ANNUAL PRODUCTION OF THE UNITED STATES IN 1890.

Agriculture,	about	\$3,490 millions.
Manufactures,	"	4,280 "
Mining,	"	480 "
Transportation,	"	1,155 "
Commerce,	"	160 "
Shipping,	"	60 "
Rents,	"	785 "
Banking,	"	260 "
Professions,	"	1,070 "
Total,	-	\$11,740 "

Estimated in 1892 at 12,200 "

Net increase in total wealth in 1892 about \$1,500 millions.

Total amount of Exports in 1892, including 60 millions Gold, \$1,076 millions.

Please read the Synopsis once more.

Please read the Synopsis once more.

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